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**REPORT OF THE TAX STUDY COMMITTEE TO
THE HOUSE OF REPRESENTATIVES OF THE
GENERAL ASSEMBLY OF SOUTH CAROLINA**

TOM G. MANGUM, *Chairman,*

HENRY L. JOLLY,

R. W. KEMP,

JIMMIE E. NUNNERY,

ROBERT B. SCARBOROUGH.

JOSEPH C. COLEMAN,
*Assistant Attorney General,
Committee Counsel.*

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CREATION AND PURPOSE

This Committee was created by House Resolution 1691 of 1965 for the purpose of studying the State's tax laws relating to the assessment and collection of *ad valorem* taxes by the political subdivisions of the State.

As was provided in the Resolution, the five members authorized were appointed from the House by the Speaker, and a chairman was selected by the Committee.

It was felt by the House, and was so expressed in the Resolution, that many of South Carolina's statutes relating to assessment of property and collection of taxes by local tax officials were outmoded, and that these local officials were being forced to work under undue and unnecessary burdens as a result. It was felt, that much revenue was probably being lost to counties, municipalities, school districts, and other taxing districts of the State, because of inadequacies in our tax laws.

In accordance with directions from the House contained in House Resolution 1691, the Committee restricted itself to study of tax statutes having to do with assessment and collection for local tax purposes. Since the base of our tax structure for local purposes is the assessing processes available to county tax officials, the Committee further channeled its efforts in that direction. No effort was made to review and analyze the entire tax structure of the State.

GENERAL ACTIVITIES

The Committee met during the Summer and Fall of 1966 and on other dates in Columbia. In addition to study of existing tax laws by the Committee members themselves, there were called in by the Committee James Caldwell of the Municipal Association of South Carolina, Guy Pitts, Assistant Director, Property Tax Division, S. C. Tax Commission, and Joseph C. Coleman, Assistant Attorney General, who is acting as Committee Counsel.

At the request of the Chairman, the Attorney General designated one of his Assistants as Committee Counsel in 1965. The Assistant so designated, with Tax Commission personnel, and others, conducted a thorough review of existing State tax laws, with emphasis on any weakness that might be resulting in loss of revenue to State subdivisions, or in material inequities in local tax law application.

Reports of this study were made to the Committee during the meetings, and Committee members examined closely every facet of this source of information and opinion.

Individual members of the Committee discussed the assigned subject with tax officials and other citizens of their home counties, as well as those of other counties, and reports of information so obtained were made to the full Committee at the two meetings.

FINDINGS

The Committee found that some statutory requirements relating to reporting and assessment of property for local tax purposes were being ignored for practical reasons, and that, in the opinion of the Committee, actual practice was sometimes productive of better results than existing legal requirements. In those cases, the Committee contemplates recommending changes in the law so that legal requirements will coincide with desirable practice.

For example, Section 65-1661, 1962 Code, requires that manufacturers return all property, real and personal, to county auditors, and that assessment of such property be made locally. At a matter of fact, custom has established the practice of manufacturers reporting all but real property to the Tax Commission. The Commission assesses such personal property and certifies its assessment to county auditors, who, in turn, make such information available to other local taxing authorities.

It is the feeling of the Committee that the practice developed by custom is preferable to local reporting and assessment for several reasons. Tax Commission agents, specially trained in the field, are better qualified than most county auditors or other local assessors to put realistic values on machinery, tools, implements, fixtures, and engines used in manufacturing. Most local assessors, it was learned, were forced to rely almost entirely on the reports of the owners of such equipment before custom produced the procedures now in use. The Committee believes, also, that more uniformity in evaluating manufacturers' personal property will result from assessment by the Tax Commission. In addition, this burden that the law now places on local assessors, one for which they are not fully trained, will be shifted to specialists in this particular field of taxation.

The Committee found that many sections of our Code contain references to taxation of intangible personal property, *i.e.*, money, bank accounts, stocks and bonds, notes, credits, and other things of that nature. These things were at one time taxable as personal property, but a 1932 change in the South Carolina Constitution, supplemented by a decision of the South Carolina Supreme Court in the case of *Francis Marion Life Insurance Company v. City of Columbia*,

237 S. C. 162, 115 S. E. 2d 796, rendered such things nontaxable in the absence of further enabling legislation. It was felt that our laws should reflect the true present status of such intangibles, at least until some future legislation might change that status.

It was learned by the Committee that personal property used in many businesses and professional offices is not being reported for taxation to anyone. Apparently there is little uniformity in the various counties with respect to such property. In most, it was found, such property escapes taxation altogether. Further study is needed in this field.

As was the case with manufacturers' personal property, it was felt by the Committee that specially trained assessors employed by a central administrative agency, such as the Tax Commission, could more accurately and uniformly value such property for tax purposes.

RECOMMENDATIONS

This Committee has developed two plans designed to effect certain changes in our tax laws relating to taxation for local governmental purposes if enacted into law at some future date.

One plan provides that all businesses, whether individual, corporation, partnership, or other legal entity, return all tangible personal property to the South Carolina Tax Commission for assessment, with no return to county auditors required. The Commission will assess the property and certify its valuation to county auditors. The information will be available to other subdivisions from the auditors' books.

The term *business* as used in the plan includes all non-tax-exempt enterprises conducted for the purpose of producing profit, including offices of professional men, but excepting things like railroads and public utility companies. Special, satisfactory provisions for returns of property of those companies already appear in our laws. Equipment used in agriculture, floriculture and horticulture is also excepted. It is felt that local assessors are in the better position to place equitable valuations on such property.

The Committee feels that this proposed procedure can result in the placing on tax books of an appreciable amount of property that is not productive of tax revenue for local purposes, and that returns to and assessment of such property by persons specially trained in the field will result in a more equitable distribution of the tax load to be borne by such property.

The second plan provides for repeal of Sections of the Code relating to taxation of intangible personal property. This action appears logical

since such property is not now subject to taxation. Provision is also made for the elimination of two Sections providing that certain property of railroads, plank road companies, and certain other public service companies, shall be treated as personal property for local tax purposes. Other Sections cover this field of taxation adequately. Additionally, the bill provides for repeal of Sections requiring domestic insurance companies and certain other companies and corporations to return personal property to county auditors.

The Committee feels, finally, that a continuing study of our tax laws should be authorized for the purpose of formulating recommendations designed to simplify and modernize such statutes in a gradual and deliberate manner.